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Testimony of Livia DeFilippis Barndollar, President,
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House Bill 6349
An Act Concerning the Sales Tax on Services
Finance Revenue & Bonding Committee
February 9, 2009

Senator Daily, Representative Staples and members of the Finance Revenue & Bonding Committee, thank you for the opportunity to appear before the committee to comment on House Bill 6349, An Act Concerning the Sales Tax on Services. My name is Livia DeFilippis Barndollar. I am a Partner with the law firm Marvin Ferro Barndollar & Roberts LLC, in New Canaan. I am also the current President of the Connecticut Bar Association, the preeminent voluntary association of attorneys in Connecticut with over 9,000 members who practice in every, diverse area of the law. The CBA has a great interest in bills concerning the legal profession and the consumers of legal services. The CBA urges the committee to oppose House Bill 6349, which would establish for the first time a sales tax on legal services – a **Client Tax** - and respectfully requests that the Finance Revenue & Bonding Committee reject the bill as it applies to legal services for the following reasons.

- The Client Tax will increase the cost of legal services to virtually anyone in the State of Connecticut who needs an attorney.
- Whether it's a divorce or custody case, a will or estate matter, a real estate closing or a distressed homeowner who is in foreclosure, the client tax will **automatically increase the cost of hiring an attorney by 6%.**
- Whether it's establishing or purchasing a business, bringing or defending a landlord-tenant dispute, obtaining public documents wrongfully withheld by public officials, contesting land use decisions, defending criminal or civil charges in court or filing or defending a claim of illegal discrimination, the Client Tax will make it more expensive for Connecticut citizens to obtain legal representation to protect their rights.

- The Client Tax is likely to cause many individuals to forego legal representation and be left alone to represent themselves.
- An increased number of ordinary citizens representing themselves will place increased demand on court personnel and resources at a time when the courts have had to cut personnel and services. This in turn will cause backlogs and delays in administering justice.
- The Client Tax will likely result in the loss of legal business and create a competitive disadvantage for Connecticut attorneys, as clients who have sufficient means and resources take their legal business needs to attorneys in states that do not charge a sales tax on legal services.
- The Client Tax would impose a significant burden on Connecticut business, large and small, all of which require the services of attorneys as part of their customary and regular operations. Adding further to the cost of doing business will likely exacerbate, not solve, the state's economic crisis.
- The Client Tax will make it very difficult for the vast number of solo practitioners and law firms with five or fewer attorneys (which constitute the vast majority of our 9,000 members) to continue to exist. Many small law firms are already experiencing difficulties and loss of business as legal work, such as real estate closings, has evaporated. The real harm to Connecticut and its citizens will come as these attorneys are forced to lay off the secretaries, paralegals, bookkeepers and other people they employ.
- Because state auditors will seek access to attorneys' billing records, which may well contain privileged information, the Client Tax would endanger the attorney-client privilege which is essential to the proper functioning of our system of law and justice. This may further result in discouraging clients from seeking legal advice from attorneys and lead those who can afford to do so to seek advice from attorneys who have no tax nexus with Connecticut.

For these and many other reasons, the Connecticut Bar Association opposes the imposition of the sales tax on legal services.

Thank you for allowing me the opportunity to comment on House Bill 6349, An Act Concerning the Sales Tax on Services. The CBA respectfully requests that the Finance Revenue & Bonding Committee oppose the bill, and respectfully requests that the Committee reject the bill as it applies to legal services.

I'd be happy to answer any questions you may have.